

MEMO

DATE: January 4, 2007

TO: Energy & Environment Committee
Transportation & Communication Committee

FROM: Jonathan Nadler, Program Manager, (213)236-1884, nadler@scag.ca.gov

SUBJECT: AB32: California Global Warming Solutions Act of 2006

BACKGROUND:

As a follow-up to last month's presentation on AB32: California Global Warming Solutions Act of 2006, a representative from the California Air Resources Board (CARB) will provide an overview of CARB's efforts to implement AB32.

FISCAL IMPACT:

Work associated with this task is included in the current year overall work program (07-025.SCGS1)

Attachment: Presentation

Reviewed by:



Division Manager

Reviewed by:




Department Director

Reviewed by:



Chief Financial Officer




climate
CHANGE

California Department of Industrial Relations
AIR RESOURCES BOARD

AB 32: The California
Global Warming Solutions Act of 2006

California Air Resources Board

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California Department of Industrial Relations
AIR RESOURCES BOARD

Overview


Background

AB 32

Implementation

Summary

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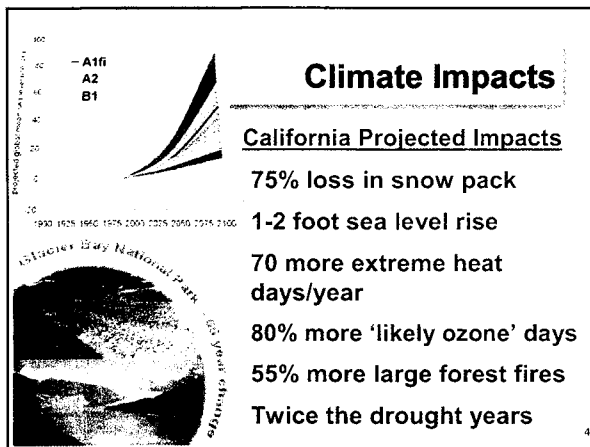


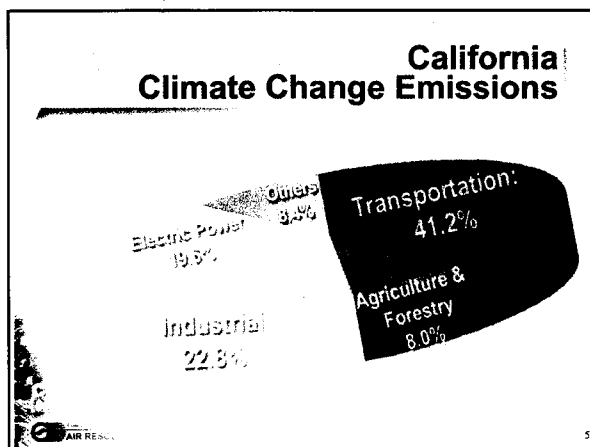
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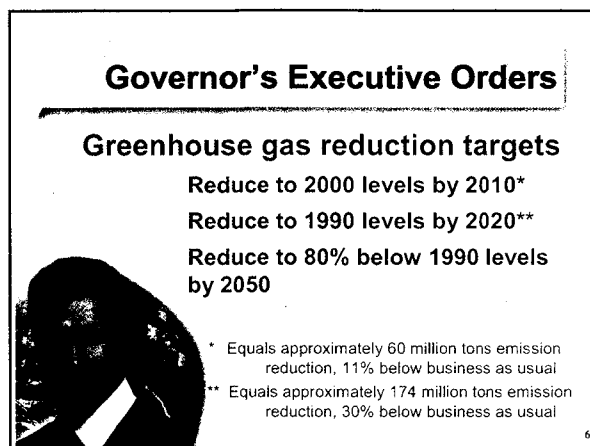
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Background

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Governor's Executive Orders

Executive Order S-17-06 signed on
October 16, 2006

Cal/EPA Secretary continues
leadership role

Secretary to establish
Market Advisory Committee

ARB to collaborate with
Secretary and Climate Action
Team to develop market-based
program



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Climate Action Team

Multi-agency team of
Department Directors

Chaired by Cal/EPA Secretary

Charged with
recommending strategies

Report released April 2006

- Ambitious targets are achievable
- More than 40 strategies identified
- Good for the economy
(jobs, technology development)



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Global Activity

Kyoto Protocol

Tony Blair agreement

Europe

Japan

Emerging Countries


RGGI

Western States



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AB 32




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AB 32 Approach

Sets in statute Governor's 2020 target

ARB is state agency charged with monitoring/regulating sources of emissions of greenhouse gases in order to reduce emissions

Climate Action Team continues to coordinate statewide climate policy



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AB 32 Timeline

1/1/07: ARB maintains statewide inventory

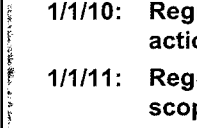
6/30/07: List of discrete early actions

**1/1/08: Mandatory reporting of emissions
Adopt 1990 baseline/2020 target**

1/1/09: Scoping plan of reduction strategies

1/1/10: Regulations to implement early action items

1/1/11: Regulations to implement scoping plan



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Discrete Early Actions

Stand-alone measures that can be implemented prior to primary program

- Make progress while planning
- Achieve reductions that make sense even given later market-based program

Publish list by June 30, 2007

Regulations to be enforceable by January 1, 2010



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Emission Reporting and Emission Limit

By January 1, 2008:

Approve Statewide Emission Limit

Adopt emission reporting and verification requirements



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Scoping Plan

- ARB to develop by January 1, 2009
- Describes how ARB will achieve reductions

- Direct measures
- Market-based compliance
- Potential incentives



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Scoping Plan (continued)

- Must achieve maximum technologically feasible and cost effective reductions
 - ARB must consult with CEC and PUC on energy matters
- Must consider programs in other states and nations



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Scoping Plan (continued)

- Must evaluate total potential costs and benefits of plan to economy, environment and public health
- Must take into account relative contribution of source or source categories



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Other State Agency Obligations

- Continued Role on Climate Action Team
- Progress towards reductions in Climate Action Team report
- Collaboration with ARB on Market-Based System

SB 1368



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Senate Bill 1368: GHG Performance Standard

PUC and Energy Commission to establish emission performance standards which are:

“...no higher than the rate of emissions of greenhouse gases for combined-cycle natural gas baseload generation...”

Market-Based Mechanisms

What is included:

- System of market-based declining annual aggregate emission limits
- GHG emissions exchanges, banking, credits, and other transactions that result in the same reduction as direct compliance

Intended to facilitate achievement of cost-effective reductions

Market-Based Mechanisms

Reductions must be real, quantifiable, verifiable, additional, enforceable by ARB

ARB must consult with PUC regarding effect on electricity and natural gas providers

Must minimize “leakage”

No geographic boundaries

Market-Based Mechanisms

Consider potential for localized impacts

Prevent increases in criteria pollutants or toxic air contaminants

Maximize additional environmental and economic benefits



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Criteria for Rulemaking

Design regulations to be equitable, minimize cost, encourage early action

No disproportionate impact on low-income communities

Credit for early voluntary reductions

Complement criteria pollutant strategies



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Criteria for Rulemaking

Consider cost-effectiveness


Consider overall societal benefits

Minimize administrative burden

Consider significance of sources and source categories




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Other Provisions

- No effect on PUC authority
- No effect on obligation of utilities to provide customers with safe and reliable electric service
- No limitation or expansion of air district authority
- ARB given fee authority


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Other Provisions

- GHG passenger vehicle regulation gives largest reduction of any measure
- If regulation found invalid, ARB to achieve equivalent or greater reduction through alternative regulations to control mobile sources


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Goals

- Create model that is copied by other states and nations
- Develop least cost approach
- Generate economic benefits due to improved efficiency and business creation
- Co-benefits (e.g., additional reductions in criteria and toxic emissions)
- Reduce emissions to 1990 levels by 2020


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Implementation



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Implementation




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Assembling team (existing and new staff hires, external experts)


Open, transparent process

Intensive consultation

- Cal/EPA
- Climate Action Team
- National and international experts
- Broad list of stakeholders



Implementation



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Governor's Market Advisory Committee

ARB Advisory Committees

- Environmental Justice
- Economic and Technology Advancement


Compatibility with other jurisdictions

Need to look outward



Summary


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Summary

- Major initiative with new responsibilities
- Significant progress on reducing GHG Emissions
- Develop model program others will use
- Market-based mechanism is key element

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Summary

- Local, state, national, and international stakeholder participation
- Numerous requirements for next several years
- Assembling team and reaching out to experts
- Efforts should not take away from other ARB goals and priorities.

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For More Information

ARB Climate Change web page

<http://www.arb.ca.gov/cc/cc.htm>

List serve—provides notification of
document posting and coming events



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